

## Message Text

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E.O. 11652: N/A

TAGS: ECRE, ELTN, KU

SUBJ: MOTORWAYS PROJECT: STATUS OF INTERNATIONAL COMPETITION

REF: (A) 75 KUWAIT 4651 (NOTAL), (B) 75 KUWAIT 3395 (NOTAL)

SUMMARY: PRELIMINARY RESULTS OF PREQUALIFICATIONS SURVEY OF FIRMS WISHING TO BID ON FIRST PHASE OF KUWAIT MOTORWAYS PROJECT INDICATE THAT, WHILE AMERICAN FIRMS ARE IN THE LEAD IN BOTH SUBMISSIONS AND NUMBER RATED EXCELLENT, OTHER FIRMS, IN PARTICULAR THE KOREANS, WILL BE ABLE TO OFFER STRONG COMPETITION. PROBLEM OF AMERICAN FIRMS SEEMS TO BE THEIR UNFAMILIARITY WITH KUWAITI WORKING CONDITIONS, PARTICULARLY THE NEED TO GUARANTEE LABOR SUPPLY. KOREAN ADVANTAGE IN THIS REGARD WILL BE CRITICAL TO THEIR CHANCES. END SUMMARY.

1. IN DISCUSSION WITH MINISTRY OF PUBLIC WORKS OFFICIALS, EMBOFF RECEIVED GENERAL PICTURE OF COMPETITION FOR CONSTRUCTION OF THIS MAJOR (\$210 MILLION) PROJECT. MPW HAS JUST COMPLETED EXAMING PRE-QUALIFICATION SUBMISSIONS FROM 89 INTERNATIONAL FIRMS. IT IS IMPRESSED BY TRULY INTERNATIONAL NATURE OF RESULTS, AND BELIEVES THAT AMERICAN FIRMS WILL BE FACING TOUGH COMPETITION FROM EUROPEAN AND FAR EASTERN CONSTRUCTION COMPANIES.

2. SUBMISSIONS WERE EVALUATED ON BASIS OF COMPLETENESS OF MATERIAL PRESENTED, EXPERIENCE IN BUILDING MOTORWAYS, AND FAMILIARITY WITH KUWAITI CONSTRUCTION CONDITIONS (LABOR SUPPLY, EQUIPMENT AVAILABILITY, LIMITED OFFICIAL USE

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IMPORT OF RAW MATERIALS). ON THIS BASIS, 36 FIRMS WERE RATED AS

EXCELLENT, 30 AS POOR, AND 17 AS ADEQUATE. UNUSUAL DISTRIBUTION OF FIRMS, WITH HEAVY CONCENTRATION AT EITHER END OF SPECTRUM, FACILITATED SELECTION OF FIRMS QUALIFIED TO BID, EVEN AFTER A CAREFUL RE-EXAMINATION WAS MADE OF SUBMISSIONS RATED ADEQUATE.

3. ON A COUNTRY BASIS THE LEADING NUMBER OF SUBMISSIONS (19) WERE MADE BY AMERICAN FIRMS. CLOSE BEHIND, HOWEVER, WERE SUBMISSIONS FROM ITALY (15), WEST GERMAN (13), DOREA (8), U.K. (7), JAPAN AND FRANCE (6 EACH). OF THE 36 FIRMS RATED EXCELLENT, THE LEADING NUMBER (9) AGAIN WILL BE AMERICAN. SIX WILL BE KOREAN, 6 ITALIAN, 4 WEST GERMAN, 4 ENGLISH, 2 FRENCH.

4. MPW OFFICIAL WAS MOST IMPRESSED BY FAR EASTERN FIRMS, IN PARTICULAR THOSE FROM KOREA. SUBMISSIONS INDICATED CONSIDERABLE DEGREE OF EXPERIENCE WITH BOTH FREEWAY CONSTRUCTION, AND WORKING UNDER URBAN CONDITIONS, WITH ITS HEAVY DEMANDS ON SCHEDULING, LOGISTICS, AND ORGANIZATION. HE ALSO NOTED LARGE SIZE OF FIRMS AND THE RANGE OF THEIR CONSTRUCTION EXPERIENCE. MOST IMPORTANT, HOWEVER, WAS THE ABILITY OF KOREAN FIRMS TO ASSURE, FROM THE OUTSET, THEIR OWN LABOR SUPPLY, WHETHER IT BE SKILLED EQUIPMENT OPERATORS, MANAGERS AND ENGINEERS, OR UNSKILLED LABOR.

5. WHILE AMERICAN SUBMISSIONS JUDGED TO BE VERY GOOD, MPW OFFICIAL OBSERVED THAT MANY OF THEM WERE NOT QUITE COMPLETE. HE FELT THAT AMERICAN FIRMS' MOST SERIOUS PROBLEMS IN WINNING CONTRACT WILL BE THEIR LACK OF FAMILIARITY WITH KUWAITI WORKING CONDITIONS: LACK OF PROPER MAINTENANCE FOR EQUIPMENT; NEED TO IMPORT NOT ONLY SKILLED LABOR BUT ALSO UNSKILLED LABOR, FROM MORE AND MORE "UNTRADITIONAL" SOURCES; DELAYS IN IMPORTING RAW MATERIALS OR SPECIAL PIECES OF EQUIPMENT.

6. LEAST IMPRESSIVE WERE GERMAN AND FRENCH FIRMS. SUBMISSIONS WERE REPORTEDLY VAGUE ABOUT JUST HOW THOSE FIRMS INTENDED TO PERFORM THEIR WORK HERE. ADVISOR SUSPECTED THAT THESE FIRMS WERE INTENDING TO USE SUBCONTRACTORS FOR AS MUCH WORK AS POSSIBLE. THIS, HE WARNED, WOULD BE A MISTAKE, SINCE MPW WOULD INSIST ON THE INTERNATIONAL CONTRACTOR PERFORMING AT LEAST 50 PERCENT OF WORK INVOLVED. ON THE OTHER HAND, OFFICIAL FELT THAT BRITISH, SPANISH, AND ITALIAN SUBMISSIONS WERE GOOD.

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7. OFFICIAL EMPHASIZED THAT PREQUALIFICATION PROCESS NOT FINISHED. MPW STILL HAD TO REVIEW LIST OF FIRMS RATED EXCELLENT (AND PROVISIONALLY PREQUALIFIED) TO CHECK THEIR REFERENCES, TO INQUIRE ABOUT THEIR ACTUAL EXPERIENCE IN OTHER COUNTRIES, AND REVIEW KUWAIT'S OWN EXPERIENCE WITH SOME OF THEM. ADVISOR ESTIMATED THAT 30 OR 31 FIRMS WOULD REMAIN ON LIST.

8. COMMENT: TRULY INTERNATIONAL NATURE OF COMPETITION ON MOTOR-

WAYS PROJECT SOMETHING OF A SURPRISE HERE, SINCE IT HAD BEEN ASSUMED, PERHAPS TOO FREELY, THAT AMERICAN FIRMS WERE PREEMINENT IN THE FIELD. ONE AMERICAN FIRM ALREADY WORKING IN KUWAIT HAS RUN INTO SOME OF THE SAME PROBLEMS MENTIONED BY OFFICIAL (PROBLEMS IN FINDING EQUIPMENT, INADEQUACIES OF LOCAL AGENT IN SEEKING OUT LABOR). RECENT PORT CONGESTION PROBLEMS HAVE ALSO DRIVEN UP PRICE OF CEMENT, WHICH WILL PROBABLY HAVE TO BE IMPORTED TO MEET PROJECT REQUIREMENTS. KOREAN FIRMS, HOWEVER, APPEAR TO BE ABLE TO MAKE MAJOR PUSH FOR PARTICIPATION IN THIS MAJOR PROJECT.  
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## Message Attributes

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